



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 15, 1998

H.R. 4389

A bill to provide for the conveyance of various reclamation project facilities to local water authorities, and for other purposes

As ordered reported by the House Committee on Resources on August 5, 1998

SUMMARY

H.R. 4389 would direct the Secretary of the Interior, acting through the U.S. Bureau of Reclamation, to convey facilities at the following reclamation projects to local water authorities: Central Valley Project, California (Sly Park Unit and the Clear Creek Distribution System); Minidoka Project, Idaho; Carlsbad Irrigation Project, New Mexico; Palmetto Bend Project, Texas; Gila Project, Arizona; Canadian River Project, Texas; and the Pine River Project, Colorado. The following conditions would apply:

- The secretary would be directed to complete each conveyance, including environmental reviews, within 180 days of enactment if project operations are not expected to change following the conveyance and within two years if they are;
- The federal government and the locality would split the cost of each conveyance if it occurs by the appropriate deadline, and the federal government would bear the full cost if it does not;
- The local authority would operate and maintain each facility after conveyance; and
- Except for the Sly Park Unit and the Clear Creek Distribution System, local entities would pay the present value of their remaining repayment obligations with the bureau.

CBO estimates that implementing H.R. 4389 would reduce federal discretionary spending over the 1999-2003 period by about \$1 million, assuming net appropriations consistent with the bill. Enacting the bill would affect direct spending; therefore, pay-as-you-go procedures would apply. CBO estimates that enacting H.R. 4389 would yield a net decrease in direct spending of \$69 million over the 1999-2003 period, but that near-term cash savings would be approximately offset on a present-value basis by the loss of receipts from repayment

contracts, water sales, and leases. The near-term savings primarily would reflect estimated prepayments of about \$91 million over fiscal years 1999 and 2000. Forgone repayment receipts would average about \$5 million a year over the 40-year period from 1999 through 2038.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Local governments might incur some costs as a result of the bill's enactment, but these costs would be voluntary.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4389 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Authorization Level ^a	b	2	1	b	b	b
Estimated Outlays	b	1	1	1	b	b
Proposed Changes						
Estimated Authorization Level	0	b	-1	-b	-b	-b
Estimated Outlays	0	b	-b	-1	-b	-b
Spending Under H.R. 4389						
Estimated Authorization Level ^a	b	2	0	0	0	0
Estimated Outlays	b	2	1	0	0	0
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	-37	-53	7	7	7
Estimated Outlays	0	-37	-53	7	7	7

a. In 1998, less than \$500,000 was appropriated for operating and maintaining the projects that would be conveyed. Continuation of these expenses, including anticipated studies and replacement of project works in 1999 and 2000, is authorized under current law. Enacting H.R. 4389 would eliminate the need for such appropriations after 1999.

b. Less than \$500,000.

BASIS OF ESTIMATE

For the purpose of this estimate, CBO assumes that H.R. 4389 will be enacted near the beginning of fiscal year 1999 and that the estimated amounts necessary to implement the bill will be appropriated in that year. In those years that CBO estimates a reduction in the need for federal obligations, CBO assumes that appropriations will be reduced accordingly. Outlays are estimated based on historical rates of spending for the authorized activities.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 4389 would yield a net decrease of about \$1 million in spending subject to appropriation over the 1999-2003 period. CBO estimates that completing the conveyances specified in the bill would require new spending subject to appropriation of about \$3 million over the 1999-2000 period. These amounts would be used for preparing transfer documents, conducting environmental reviews, and operating and maintaining the facilities before they are transferred. CBO anticipates that most of the facilities would be transferred in fiscal year 1999, that the remaining units would be transferred by the end of fiscal year 2000, and that the bureau would pay most of the costs of conveying these facilities. The new spending of about \$3 million would be offset, however, by savings of a similar amount over the 1999-2000 period because the conveyances would eliminate the need for most of the currently authorized funding for these projects. CBO estimates that, under current law, the bureau will need about \$2 million in 1999, \$1 million in 2000, and less than \$500,000 each year thereafter for studies, operations, maintenance, and replacement of these facilities.

Direct Spending

Prepayments. H.R. 4389 would direct local authorities to pay the present value of their outstanding obligations to the United States for the facilities that are to be conveyed. CBO anticipates that, if the bill is enacted, prepayments would be made for eligible facilities at the Central Valley (Sly Park Unit), Palmetto Bend, and Canadian River Projects. CBO estimates that prepayments would total \$37 million in 1999 and \$54 million in 2000. Those receipts would be offset by the loss of currently scheduled annual repayments over the 40-year period of 1999 through 2038. We estimate that forgone payments would total less than \$500,000 in 1999, \$3 million in 2000, \$7 million annually over the 2001-2022 period, \$4 million annually over the 2023-2035 period, and \$1 million annually over the 2036-2038 period. (Roughly \$100,000 that is due over the 2000-2004 period from the Clear Creek Community Services District for the Clear Creek Distribution System of the Central Valley Project would

be forgiven rather than prepaid.) There are no amounts due for the other facilities that would be transferred under the bill.

H.R. 4389 would transfer title to the Sly Park Unit to the El Dorado Irrigation District without extinguishing or authorizing the prepayment of all of the district's outstanding obligations to the United States for this set of facilities. Transferring title would limit the United State's recourse in the case that the district defaults on its outstanding debt. Based on information provided by the bureau, CBO estimates that approximately \$16 million in debt would remain outstanding upon title transfer. These outstanding obligations are associated with the project's distribution system. All amounts are scheduled to be repaid, mostly without interest, by 2019. Because we cannot predict the likelihood of default or the outcome of actions to seek recourse, CBO cannot estimate the likelihood, timing, or amount of any potential loss that could result from enacting this provision.

Asset Sales. H.R. 4389 would require the Wellton-Mohawk Irrigation and Drainage District to pay the federal government fair market value for certain lands at the Gila Project before the secretary may convey them to the district. Based on information provided by the bureau, CBO estimates that the district would pay a minimum of about \$2 million for the specified lands and that the payment would be made in fiscal year 2000. Under the Balanced Budget Act of 1997, proceeds from nonroutine asset sales (sales that are not authorized under current law) may be counted for pay-as-you-go purposes only if the sale would entail no financial cost to the government. Based on information provided by the bureau, CBO estimates that the sale proceeds would exceed any net revenues currently projected to accrue from these lands; therefore, selling these assets would result in a net savings for pay-as-you-go purposes.

Other Offsetting Receipts. Enacting the bill would result in a loss of receipts from mineral and grazing leases at the Carlsbad Irrigation Project. Amounts collected in 1999 could be used to pay the cost of transferring the project to the Carlsbad Irrigation District. Beginning in 2000, all such collections would go to the district. Under current law, these amounts are deposited in the Treasury. CBO estimates that losses would total about \$200,000 a year.

CBO estimates that enacting H.R. 4389 also would result in a loss of water-use charges totaling less than \$500,000 annually, beginning in 2005, at the Pine River Project. Based on information provided by the bureau, CBO anticipates that, beginning in 2005, the Pine River Irrigation District will start redirecting water from irrigation to municipal and industrial uses. Under current law, the district would pay a charge for this action. This charge would not apply if the project is transferred to the district under the terms of the bill.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. Enacting the bill would not affect governmental receipts. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	-37	-53	7	7	7	7	7	7	7	7
Changes in receipts				Not applicable							

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4389 contains no intergovernmental mandates as defined in UMRA. All the conveyances authorized by this bill would be voluntary on the part of the affected local water authorities, and any costs incurred by these authorities as a result of the conveyances would be accepted by them on that basis.

The bill would require local authorities to pay half the cost of the conveyances if the bureau is able to complete the process within certain deadlines. CBO estimates, however, that most of the conveyances would not be completed within the deadlines, leaving the federal government to pay most of these costs. The Pine River Irrigation District, however, would be required to prepare and submit a plan for management of the Vallecito Dam and Reservoir before that project could be conveyed. In addition, some of the local authorities would be required to pay the present value of their outstanding obligations to the United States before the facilities could be conveyed, and one would be required to pay fair market value for certain projects lands designated for transfer. CBO estimates that these payments would total about \$93 million. Finally, local authorities would assume responsibility for operating and maintaining the facilities once they are conveyed.

At least two local authorities would receive monetary benefits from enactment of this bill. The Carlsbad Irrigation District would begin to receive all revenues from grazing permits and oil and gas leases on transferred lands, which CBO estimates would total about \$200,000 per year. The Pine River Irrigation District would be able to avoid paying certain water use charges, which CBO estimates would total less than \$500,000, beginning in 2005.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill would impose no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATES

On August 13, 1998, CBO provided an estimate for S. 2087, the Wellton-Mohawk Title Transfer Act of 1998, as ordered reported by the Senate Committee on Energy and Natural Resources on July 29, 1998. CBO estimated that enacting this bill would result in additional spending of about \$1 million over the next two years, assuming appropriation of the necessary amounts. CBO's estimate of the level of appropriations required for transferring the Gila Project under H.R. 4389 is the same. In contrast to S. 2087, however, H.R. 4389 also would require the district to pay fair market value for certain lands prior to conveyance. CBO estimates that the district will pay a minimum of about \$2 million for these lands.

On October 31, 1997, CBO provided an estimate for S. 538, a bill to authorize the Secretary of the Interior to convey certain facilities of the Minidoka project to the Burley Irrigation District, and for other purposes, as ordered reported by the Senate Committee on Energy and Natural Resources on October 22, 1997. CBO estimated that implementing the bill would require new spending subject to appropriation of less than \$100,000 over two years. The provisions of H.R. 4389 are similar and so are the estimates.

ESTIMATE PREPARED BY:

Federal Costs: Gary Brown

Impact on State, Local, and Tribal Governments: Marjorie Miller

ESTIMATE APPROVED BY:

Paul N. Van de Water

Assistant Director for Budget Analysis